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ARIZONA CORPORATION COMMISSION

December 21, 2001

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Arizona Corporation Commission

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Mr. Kevin Wanttaja
Manager, Environmental Compliance
Salt River Project
Post Office Box 52025
Phoenix, Arizona 85072-2025

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me

**RE: SIGNIFICANT AIR PERMIT REVISION APPLICATION FILED WITH MCESD
FOR SANTAN GENERATING STATION EXPANSION AND COMPLIANCE
WITH COMMISSION DECISION NO. 63611 - Docket No. L-00000R-00-0105**

Dear Mr. Wanttaja:

On November 29, 2001, Salt River Project ("SRP") submitted the above-referenced air permit revision application to the Maricopa County Environmental Services Department ("MCESD"). On page 49 of that application (bottom paragraph) there is sentence that states, "As a result of the NOx cap of 1,339.1 tons/per year, the four existing units would only be able to operate up to 2,447 hours per year each when fired on distillate oil before reaching this level of NOx emissions." In the previous paragraph on that same page, SRP states, "These units run primarily on pipeline quality natural gas. Distillate oil firing in the existing units would typically only occur in the event of an emergency, such as a natural gas curtailment. Although firing on distillate oil is an extremely unlikely scenario, SRP has agreed to perform modeling to show that firing on distillate oil would not cause a violation of any standard."

The Utilities Division Staff (Staff) of the Arizona Corporation Commission (Commission) requests that SRP explain the purpose of its filing the air permit revision application with MCESD. Staff is particularly concerned with the statements by SRP that are quoted above. This concern arises from the fact that Commission Decision No. 63611 (Certificate of Environmental Compatibility for Santan Expansion) explicitly prohibits the use of diesel fuel, for any reason, at the Santan Generating Station. Condition No. 36 of this decision states, "Due to the plant's location in a non-attainment area, the Applicant shall not use diesel fuel in the operation of any combustion turbine or heat recovery generator located at the plant."

Decision No. 63611 and SRP's air permit revision application appear to be in conflict. In order to appropriately evaluate this apparent contradiction, Staff requires a specific explanation of SRP's purpose for filing an application to burn diesel fuel with one regulatory agency (MCESD), while another regulatory agency (Commission) has

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strictly prohibited the use of such fuel. Staff requests that a written response to this inquiry be submitted to Staff and docketed by January 11, 2002.

If you have any questions, please do not hesitate to contact me at 602-542-0745.

Sincerely,

A handwritten signature in black ink, appearing to read 'EGJ', followed by a long horizontal flourish.

Ernest G. Johnson
Director, Utilities Division

EGJ:SMO:mi

cc: Chairman William A. Mundell
Commissioner Jim Irvin
Commissioner Marc Spitzer
Richard Silverman, General Manager, Salt River Project
Kelly Barr, Manager, Regulatory Affairs, Salt River Project
Kenneth Sundloff, Esq.
Patrick Williams, Manager, Compliance and Enforcement
Del Smith, Utilities Engineer Supervisor
Chris Kempley, Chief Counsel, Legal Division
Docket Control